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INDUSTRIAL PRODUCTIVITY UNDER THE NEW HUNGARIAN ECONOMIC POLICY

PRODUCTION COSTS AND PRODUCTIVITY IN HUNGARIAN INDUSTRY -- Budapest, Tarsadalmi Szemle, Jul 54

From 1951 to 1953, Hungary's industrial production increased by 73 percent and the productivity of industrial labor increased by 54 percent. The cost of production, however, failed to follow a favorable trend. Production costs from 1951 to 1953 decreased only 8 percent. The Five-Year Plan called for a 25-percent reduction in production costs, which required an annual decrease of 4-5 percent, but the average decrease amounted to only 2-3 percent in recent years, and in 1953 it was less than one percent. This trend failed to improve during the first part of this year; on the contrary, it deteriorated considerably.

Production costs in the first quarter of 1954 were 4.3 percent higher than the average for 1953, and this ratio did not change in the second quarter. Among the enterprises under the jurisdiction of the Ministry of Light Industry, twice as many operated at a loss in the first quarter of 1954 as in the corresponding period of the first year of the Five-Year Plan. Factors contributing to the increased cost of production in the first quarter of 1954 include inclement weather, delays in shipments, and frequent interruptions in the electrical power supply.

Although the average reduction of costs was generally poor in 1953 the transportation, clothing, and mining industries managed to reduce their costs according to their plans. Notable success was also accomplished by certain enterprises which reduced the production cost of harvesting and threshing machines by more than 17 percent in 1953 and by 11.5 percent in the first quarter of 1954.

On the average, productivity during the first 4 years of the Five-Year Plan increased by 13.5 percent annually and was nearly 80 percent higher in 1953 than in 1958. The rate of increase, however, has decreased in recent years; in 1953, productivity in the manufacturing industry increased by only 8 percent. Productivity in the second quarter of 1954 was 8.4 percent higher than in the first quarter, but it is still unsatisfactory, since in the first half of 1954 it was 2-3 percent lower than in the corresponding period of 1953.

The reasons for the unfavorable trend in productivity during the past year are poor exploitation of working hours and a decrease in wage and work discipline. In the second half of 1953, industry utilized only 88 percent of the available workdays, appreciably less than in the first half of 1953, and this condition did not improve in the first half of 1954. More than 1.5 million workdays [man-days?] could have been gained this past year if work time had been utilized to the same extent as during the first half of 1953.

The migration of labor has also contributed to the decrease in productivity. In the fourth quarter of 1953 and in the first quarter of 1954, permanent workers in the clothing industry were only 43 percent of the total. Manpower turnover in the first quarter of this year was 14.4 percent in the industries under the jurisdiction of the ministries and 39.5 percent in the building industries.

Despite the national trend of low productivity, output per worker during the first half of this year increased as compared to the corresponding period of 1953. The rate of increase in various industries was as follows (in percent): 9.4 at the Borsodnadasd Sheet Steel Factory (Borsodnadasdi Lemezgyar); 10.1 at the Kobanya Spinning Mill (Kobanyai Fonoipar); 15.2 at the Cable and Wire Rope Factory (Kabel es Sodronykotelgyar), Budapest; and 6.4 at the Kobanya Brewery (Kobanyai Sorgyar).

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During the period of decrease in industrial productivity, wages increased continually. While productivity in the first quarter of 1954 was lower than in the corresponding period of 1953, average earnings and wage levels were considerably higher. This unfavorable condition resulted from excessive wage increases and poor utilization of working time.

The utilization of new production techniques at the Hajdusag Pharmaceutical Factory (Hajdusagi Gyogyszerarugyar) reduced the production cost of penicillin by 50 percent. New equipment costing 19,000 forints has saved 400,000 forints in a year at the Wilhelm Pieck Railroad Car and Machine Factory (Wilhelm Pieck Vagon es Gepgyar), Gyor. The Ikarus Body and Vehicle Factory (Ikarus Karosszeria es Jarmugyar), Budapest, also realized considerable savings as a result of a nominal investment; the factory installed corrosion control equipment costing 26,000 forints and saved 1.8 million forints in the first year. The Wilhelm Pieck Railroad Car and Machine Factory fulfilled its cost reduction plan by reducing the production time of second-class passenger railroad coaches from 240 to 140 days.

In numerous industries, including the Dunakeszi Car Factory (Dunakeszi Vagongyar) and the Ganz Railroad Car and Machine Factory (Ganz Vagon es Gepgyar), production in the second quarter of this year was relatively less than in December 1953 when lack of electrical power caused frequent work stoppages. This development indicates lack of proper machinery maintenance. In the machine industry, maintenance crews spend 30-40 percent of their time in performing other tasks.

Material waste has increased recently in the form of defective products. At the enterprises under the jurisdiction of the Ministry of Metallurgy and Machine Industry, products worth 400 million forints were rejected in 1953 and products worth 100 million forints were rejected in the first quarter of 1954. Poor storage facilities are also contributing to the increase in material waste.

The movement for increasing the speed of circulation of working capital has been in practice in Hungary for only a short time. In 1953, this movement had the effect of speeding the circulation of working capital in industries by 5 days. This freed working capital totaling over 800 million forints, including 60,000 tons of rolled steel, 1,000 tons of nonferrous metal, and other valuable material. -- Gyorgy Tausz

#### NEW ECONOMIC POLICY TO INCREASE PRODUCTIVITY -- Budapest, Szabad Nep, 28 Dec 54

Productivity has not increased enough, because advantage has not been taken of the opportunities afforded by a socialist economy. A large part of the national income was put into industrialization but the renovation of existing industrial facilities was neglected. Besides failing to introduce new products, those manufacturing areas which have proved profitable were not expanded. Waste, such as the use of more valuable materials than necessary, has been abetted by forcing the shops to meet their quotas at any cost. Such mistakes resulted in serious losses to the economy in the first half of 1954. If these mistakes had been avoided, there could have been sweeping price reductions.

The manufacture of new products in certain shops may mean additional expenses now, but even so, the opportunities offered by the new economic policy make possible more economical production. The cutback in industrialization means that more thought can be given to economy, quality production, technological improvements, better equipment, planned maintenance, and shop safety.

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Funds to be spent on shop renovation, which according to a recent decision of the Central Committee of the party will be increased by 30 percent, will ensure better and more economical production. Also, in addition to budgetary investment appropriations, enterprises are authorized to obtain one-year credits from the Hungarian National Bank.

The greatest need for economy is in the use of materials. In past years, the ratio of material costs to total production costs increased steadily, reaching a high of 70 percent in the first half of 1954. Producers are not conforming to established material consumption norms. For instance, in July, the Lenin Metallurgical Works (Lein Kohaszati Muvek) used 18.9 tons of rolled steel in the manufacture of 10 crankshafts, exceeding the prescribed norm of 15.9 tons by 19 percent.

Appreciable savings can be realized by improving quality and reducing the number of defective products. In 1953, defective products cost the national economy 1.1 billion forints, a sum equal to the pay of 100,000 workers.

The productivity of the individual worker must also be increased, because the ratio of labor costs to total production costs is too high. In general, wages amount to about one fifth of production costs, but in certain industries the proportion is much higher. For example, in the coal mining industry labor costs represent over three quarters of production costs, and in the brick and tile industries, over one half. -- Vladimir Abelovszky

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